

CITY OF HOLLADAY

**FINANCIAL STATEMENTS, SUPPLEMENTARY
INFORMATION AND REPORTS OF INDEPENDENT
CERTIFIED PUBLIC ACCOUNTANTS**

JUNE 30, 2006

Osborne, Robbins & Buhler, P.L.L.C.

CITY OF HOLLADAY

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OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Honorable Mayor and Members of the City Council
City of Holladay

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Holladay (the City) as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the City of Holladay as of June 30, 2006, and the respective changes in financial position thereof and the budgetary comparison for the general fund, for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 26, 2006 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

The management's discussion and analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Holladay's basic financial statements. The combining nonmajor fund financial statements, individual fund schedules and other supplementary information are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Osborne Robbins & Bohler PLLC

October 26, 2006

City of Holladay
Management's Discussion and Analysis
Year Ended June 30, 2006

As management of the City of Holladay (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2006. Please read it in conjunction with the City's financial statements which begin on page 11.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$15,082,348 (*net assets*). Of this amount, \$8,917,007 (*unrestricted net assets*) may be used to meet the City's ongoing operations.
- The total net assets of \$15,082,348 are made up of \$5,584,153 in capital assets net of related debt, \$581,188 in restricted net assets and \$8,917,007 in unrestricted net assets.
- The City's governmental funds reported combined fund balances of \$6,604,238. Of this amount \$4,749,727 (71.9%) is available for spending at the government's discretion (*unreserved fund balance*).
- The City's general fund balance increased by \$922,404 during the current fiscal year. This was due largely to higher than expected sales tax revenue and also building permit revenue.
- Fund balance in the capital projects fund decreased by \$3,570,970 during the current fiscal year due primarily to the use of bond proceeds in the construction of various projects but particularly the City's new municipal center.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

- The statement of net assets presents information on all the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.
- The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

City of Holladay
Management's Discussion and Analysis
Year Ended June 30, 2006

All of the City's functions are principally supported by taxes and intergovernmental revenues (governmental activities). The City has no functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City include general government, public safety, community development, streets and highways, parks, recreation and culture.

The government-wide financial statements can be found on pages 11-12 of this report.

Fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City are categorized as governmental funds.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The City maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund, both of which are considered to be major funds. Data from the other governmental funds are combined into a single aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 13-15 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16-30 of this report.

Other information. Combining and individual fund statements and schedules can be found on pages 33-40 of this report.

City of Holladay
Management's Discussion and Analysis
Year Ended June 30, 2006

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$15,082,348 at the close of the most recent year (\$13,238,781 as of June 30, 2005.)

Approximately 37.0% (29.5% at June 30, 2005) of the City's net assets reflects its investment in capital assets (e.g. land, improvements, machinery, equipment, vehicles, and infrastructure assets); less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

CITY OF HOLLADAY
NET ASSETS

	2005	2004
Current and other assets	\$11,364,013	\$13,783,398
Capital assets	15,767,967	11,438,231
Total assets	27,131,980	25,221,629
Long-term liabilities outstanding	10,925,818	11,224,871
Other liabilities	1,123,814	757,977
Total liabilities	12,049,632	11,982,848
Net assets:		
Invested in capital assets, net of related debt	5,584,153	3,902,119
Restricted	581,188	1,227,683
Unrestricted	8,917,007	8,108,979
Total net assets	\$15,082,348	\$13,238,781

A portion of the City's net assets (3.9% in 2006 and 9.3 % in 2005) represents resources that are subject to external restrictions on how they may be used. The remaining balance of *unrestricted net assets* (\$8,917,007 in 2006 and \$8,108,979 in 2005) may be used to meet the government's ongoing obligations to citizens and creditors as cash is made available through the collection of taxes and other receivables.

City of Holladay
Management's Discussion and Analysis
Year Ended June 30, 2006

Governmental activities.

During 2005 the City issued bonds for the first time. The City also entered into an agreement to purchase real estate under a contract payable in several years. Consequently, for the first time, the City reported interest expense in its statement of activities.

CITY OF HOLLADAY
CHANGES IN NET ASSETS

	<u>2006</u>	<u>2005</u>
Revenues:		
Program revenues:		
Charges for services	\$ 1,493,096	\$ 1,284,430
Operating grants and contributions	815,055	718,243
Capital grants and contributions	-	30,000
General revenues:		
Property taxes	3,697,607	3,988,537
Other taxes	4,088,729	3,486,596
Other	356,719	249,692
Total revenues	<u>10,451,206</u>	<u>9,757,498</u>
Expenses:		
General government	1,702,300	1,860,522
Public safety	4,171,328	3,814,126
Community development	788,601	676,827
Streets and highways	1,219,775	604,309
Parks, recreation, and culture	247,062	224,042
Interest on long-term debt	478,573	319,893
Total expenses	<u>8,607,639</u>	<u>7,499,719</u>
Change in net assets	1,843,567	2,257,779
Net assets, beginning	<u>13,238,781</u>	<u>10,981,002</u>
Net assets, ending	<u>\$15,082,348</u>	<u>\$13,238,781</u>

Financial Analysis of the Government's Funds

As noted earlier, the City uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

City of Holladay
Management's Discussion and Analysis
Year Ended June 30, 2006

As of the end of the 2006 fiscal year, the City's governmental funds reported combined ending fund balance of \$6,604,238 (\$9,314,796 in 2005). \$4,749,727 or 71.9% (\$4,413,225 and 47.4% in 2005) of this total amount constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed 1) to liquidate contracts of the prior period, 2) to pay debt service, 3) to pay capital improvements commitments, 4) or for a variety of other restricted purposes.

The general fund is the chief operating fund of the City. At the end of the 2006 fiscal year, fund balance of the general fund was \$2,407,764, all of which was unreserved (\$1,485,360 in 2005). As a measure of the general fund's liquidity, it may be useful to compare unreserved fund balance and total fund balance to total fund expenditures. Unreserved and total fund balance represents 31.4% of total general fund expenditures (21.0% in 2005). The increase from the prior year is due to higher than expected revenues in certain areas, particularly sales tax and building permits. In total, general fund revenues were \$1,222,371 higher than in 2005 while expenses remained relatively constant, increasing only \$601,957 from 2005.

At the end of fiscal year 2006, the capital projects fund has a total fund balance of \$3,490,584 (\$7,061,554 in 2005), which consists of \$2,509,877 in unreserved fund balance, and \$980,707 in reserved fund balance. The decrease from 2005 is due primarily to the use of excise tax revenue bond proceeds to fund capital asset projects, and in particularly approximately \$3.1 million in improvements for the City's new municipal center. Other uses of capital projects fund balance included approximately \$633,000 in acquisition of property to be used for parks and recreation facilities and approximately \$246,000 to acquire property located north of the municipal center to be used for parking and improved access.

General Fund Budgetary Highlights

During the fiscal year, the General Fund's budget was amended from an original expenditure budget of \$7,720,898 to a final budget of \$7,948,349, an increase of \$227,451. This increase can be briefly summarized as follows:

- \$27,451 in Public Safety expenditures for miscellaneous expenditures.
- \$200,000 in Streets and Highways expenditures to provide for additional work to be performed using Class C road funds.

\$20,000 of this increase was to be funded from additional budgeted building permit revenue and the rest was to be funded from available fund balance.

Actual expenditures in the General Fund were less than the amended budget by \$273,551, with positive variances in all departments.

City of Holladay
Management's Discussion and Analysis
Year Ended June 30, 2006

Capital Asset and Debt Administration

Capital assets. The City's investment in capital assets as of June 30, 2006 amounts to \$15,767,967, net of accumulated depreciation (\$11,438,231 in 2005). This investment in capital assets includes land, buildings and structures, improvements including infrastructure, machinery, equipment, vehicles, and office furniture and equipment.

Major capital asset events during the current fiscal year include the following:

- Land and building acquisition – \$879,000 to acquire land and buildings for parks, recreation and municipal facilities.
- Work in Process - \$3,116,273 to make the necessary improvements to the former Holladay Elementary School, to be used for the City's administrative offices, courts, Sheriff's office and other City departments. This project was in process at June 30, 2006 and was completed in the fall of 2006.
- Improvements and infrastructure – Several sidewalk projects, curb and gutter projects and storm sewer projects were completed during the year at a cost of approximately \$349,534.

City of Holladay
Capital Assets
(net of depreciation)

	2006	2005
Land	\$5,607,650	\$ 5,535,000
Construction in progress	3,116,273	-
Buildings and structures	4,916,847	4,143,041
Improvements, including infrastructure	1,736,410	1,616,180
Machinery, equipment, and vehicles	351,992	62,433
Office furniture and equipment	38,795	81,577
Total	<u>\$15,767,967</u>	<u>\$11,438,231</u>

Additional information on the City's capital assets can be found in Note F on pages 26 of this report.

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$8,110,000, all of which is excise debt which is secured by sales tax revenues. Also at the end of the fiscal year, the City had outstanding a contract payable in the amount of \$3,100,000, secured by real estate.

The City's total debt decreased by \$350,829 during the current year consisting primarily of scheduled principal reductions as required by the outstanding bonds.

The City has no bond rating.

State statutes limit the amount of general obligation debt a governmental entity may issue to 4% of its total taxable value. The current limitation for the City is approximately \$67,000,000 and the City currently has no general obligation debt.

**City of Holladay
Management's Discussion and Analysis
Year Ended June 30, 2006**

Additional information on the City's long-term debt can be found in Note G on pages 27 of this report.

Economic Factors and Next Year's Budgets and Rates

- Since the last annexation the City has been working on a more refined and detailed program for infrastructure and capital improvements. During the next year the City will be developing programs to plan for major improvements.
- During the coming fiscal year, the City will be involved in the completion of the remodeling of the former Holladay Elementary School which the City acquired in 2005. The facility will house the City's administrative offices, court and other development staff. It will also house the portion of the Salt Lake County Sheriff's department that serves the City. The City has decided to remodel the whole building and this will add several rooms which will be available to the community to use on a rental basis. During the coming year, the City also expects to begin work on the grounds that surround the building.
- The coming fiscal year will also see work begin on the Holladay Village Center. One part of the development is already owned by the City and is in a redevelopment area. The City will also be working on the sale of that property (Video Vern's) to a developer.
- During 2005, the City entered into an agreement to purchase acreage in the area of Holladay Boulevard and 6200 South. The City owes \$3,100,000 under the terms of the purchase contract and anticipates issuing an EDA bond as a long-term financing option for the purchase of this acreage that will be developed into a park.
- One of the major concerns that will have an impact on the city is that of the redevelopment of the Cottonwood Mall. It has not yet been determined whether the Mall will be closed, but if it does, the closure of the mall will not have a major impact to the City's sale tax revenue as originally thought. Also it is planned that one of the larger generators of sales tax will remain.

All of these factors were considered in preparing the City's budget for the 2007 fiscal year. The 2007 budget is balanced without the need of a property tax increase.

Requests for Information

This financial report is designed to provide a general overview of the City's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Randy Fitts, City Manager, 4580 S 2300 E, Holladay, Utah 84117.

BASIC FINANCIAL STATEMENTS

CITY OF HOLLADAY
GOVERNMENT-WIDE STATEMENT OF NET ASSETS
JUNE 30, 2006

	PRIMARY GOVERNMENT GOVERNMENTAL ACTIVITIES
ASSETS	
CASH AND CASH EQUIVALENTS	\$ 4,007,191
RECEIVABLES (NET)	
TAXES	4,451,637
INTERGOVERNMENTAL	182,208
OTHER	15,419
SPECIAL ASSESSMENT	29,801
BOND ISSUE COSTS (NET)	146,234
RESTRICTED ASSETS	
CASH AND CASH EQUIVALENTS	2,386,523
INTERGOVERNMENTAL RECEIVABLES	145,000
NON-DEPRECIABLE CAPITAL ASSETS	8,723,923
DEPRECIABLE CAPITAL ASSETS, NET	7,044,044
TOTAL ASSETS	27,131,980
LIABILITIES	
ACCOUNTS PAYABLE	63,913
ACCRUED LIABILITIES	45,476
ACCRUED INTEREST PAYABLE	154,961
PAYABLE FROM RESTRICTED ASSETS	
DEPOSITS	147,051
ACCOUNTS PAYABLE	384,961
NON-CURRENT LIABILITIES	
DUE WITHIN ONE YEAR	327,452
DUE IN MORE THAN ONE YEAR	
COMPENSATED ABSENCES	10,818
CONTRACTS PAYABLE	3,100,000
BONDS PAYABLE	7,815,000
TOTAL LIABILITIES	12,049,632
NET ASSETS	
INVESTED IN CAPITAL ASSETS, NET OF RELATED DEBT	5,584,153
RESTRICTED FOR	
DEBT SERVICE	241,706
CAPITAL IMPROVEMENTS	339,482
UNRESTRICTED	8,917,007
TOTAL NET ASSETS	\$ 15,082,348

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HOLLADAY
GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				EXPENSES	NET REVENUE (EXPENSE) AND CHANGES NET ASSETS GOVERNMENTAL ACTIVITIES (TOTAL)
	CHARGES FOR SERVICES	OPERATING		CAPITAL GRANTS AND CONTRIBUTIONS		
		GRANTS AND CONTRIBUTIONS				
PRIMARY GOVERNMENT:						
GOVERNMENTAL ACTIVITIES						
GENERAL GOVERNMENT	\$ 1,702,300	\$ 434,167	\$ 4,972	\$ -	\$ -	(1,263,161)
PUBLIC SAFETY	4,171,328	41,111	23,326	-	-	(4,106,891)
COMMUNITY DEVELOPMENT	788,601	870,656	-	-	-	82,055
STREETS AND HIGHWAYS	1,219,775	66,035	786,757	-	-	(366,983)
PARKS, RECREATION AND CULTURE	247,062	81,127	-	-	-	(165,935)
INTEREST ON LONG-TERM DEBT	478,573	-	-	-	-	(478,573)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 8,607,639	\$ 1,493,096	\$ 815,055	\$ -	\$ -	(6,299,488)

GENERAL REVENUES:

PROPERTY TAXES LEVIED FOR GENERAL PURPOSES	3,697,607
SALES TAXES LEVIED FOR GENERAL PURPOSES	3,206,150
FRANCHISE TAXES	562,250
TRANSIENT ROOM TAX	37,857
MOTOR VEHICLE FEES IN LIEU	282,472
INVESTMENT EARNINGS	334,705
OTHER	22,014
TOTAL GENERAL REVENUES	8,143,055
CHANGE IN NET ASSETS	1,843,567
NET ASSETS AT BEGINNING OF YEAR	13,238,781
NET ASSETS AT END OF YEAR	\$ 15,082,348

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HOLLADAY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

ASSETS	GENERAL	CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
CASH AND CASH EQUIVALENTS	\$ 1,457,931	\$ 2,543,988	\$ 5,272	\$ 4,007,191
RECEIVABLES				
TAXES	4,451,637	-	-	4,451,637
INTERGOVERNMENTAL	182,208	-	-	182,208
OTHER	15,419	-	-	15,419
SPECIAL ASSESSMENT	29,801	-	-	29,801
DUE FROM OTHER FUNDS	173,186	-	-	173,186
RESTRICTED ASSETS				
CASH AND CASH EQUIVALENTS	147,051	1,365,668	873,804	2,386,523
INTERGOVERNMENTAL RECEIVABLES	145,000	-	-	145,000
TOTAL ASSETS	\$ 6,602,233	\$ 3,909,656	\$ 879,076	\$ 11,390,965
LIABILITIES				
ACCOUNTS PAYABLE	\$ 29,802	\$ 34,111	-	\$ 63,913
ACCRUED LIABILITIES	45,476	-	-	45,476
DUE TO OTHER FUNDS	-	-	173,186	173,186
PAYABLE FROM RESTRICTED ASSETS				
DEPOSITS	147,051	-	-	147,051
ACCOUNTS PAYABLE	-	384,961	-	384,961
DEFERRED REVENUE	3,972,140	-	-	3,972,140
TOTAL LIABILITIES	4,194,469	419,072	173,186	4,786,727
FUND BALANCES (DEFICIT)				
RESERVED FOR DEBT SERVICE	-	-	873,804	873,804
RESERVED FOR CAPITAL				
IMPROVEMENTS	-	980,707	-	980,707
UNRESERVED	2,407,764	2,509,877	-	4,917,641
UNRESERVED, REPORTED IN: SPECIAL REVENUE FUND	-	-	(167,914)	(167,914)
TOTAL FUND BALANCES	2,407,764	3,490,584	705,890	6,604,238
TOTAL LIABILITIES AND FUND BALANCES	\$ 6,602,233	\$ 3,909,656	\$ 879,076	\$ 11,390,965

CITY OF HOLLADAY
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCE
TO NET LIABILITIES OF GOVERNMENTAL ACTIVITIES
JUNE 30, 2006

TOTAL GOVERNMENTAL FUND BALANCES	\$ 6,604,238
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET ASSETS ARE DIFFERENT BECAUSE:	
CAPITAL ASSETS USED IN GOVERNMENTAL ACTIVITIES ARE NOT FINANCIAL RESOURCES AND THEREFORE ARE NOT REPORTED IN THE FUNDS	15,767,967
OTHER LONG-TERM ASSETS ARE NOT AVAILABLE TO PAY FOR CURRENT-PERIOD EXPENDITURES AND THEREFORE ARE DEFERRED IN THE FUNDS	146,234
LONG-TERM LIABILITIES, INCLUDING BONDS AND CONTRACTS PAYABLE AND COMPENSATED ABSENCES ARE NOT DUE AND PAYABLE IN THE CURRENT PERIOD AND THEREFORE ARE NOT REPORTED IN THE FUNDS	(11,253,270)
PROPERTY TAXES AND CERTAIN GOVERNMENTAL REVENUES THAT ARE NOT AVAILABLE TO PAY FOR CURRENT PERIOD EXPENDITURES ARE DEFERRED IN THE FUNDS	3,972,140
INTEREST PAYABLE ON LONG-TERM OBLIGATIONS DOES NOT REQUIRE CURRENT FINANCIAL RESOURCES AND IS NOT REPORTED IN THE GOVERNMENTAL FUNDS	(154,961)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 15,082,348

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HOLLADAY
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	GENERAL	CAPITAL PROJECTS	NONMAJOR GOVERNMENTAL FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES				
TAXES	\$ 6,849,326	\$ 1,011,081	-	\$ 7,860,407
LICENSES, FEES AND PERMITS	839,715	159,814	-	999,529
INTERGOVERNMENTAL	812,777	2,278	-	815,055
CHARGES FOR SERVICES	48,301	-	-	48,301
FINES AND FORFEITURES	434,167	-	-	434,167
MISCELLANEOUS	34,141	-	-	34,141
INTEREST ON INVESTMENTS	186,593	113,376	34,736	334,705
TOTAL REVENUES	9,205,020	1,286,549	34,736	10,526,305
EXPENDITURES				
CURRENT				
GENERAL GOVERNMENT	1,481,979	-	-	1,481,979
PUBLIC SAFETY	4,155,923	-	-	4,155,923
COMMUNITY DEVELOPMENT	696,762	-	94,728	791,490
STREETS AND HIGHWAYS	1,151,806	-	-	1,151,806
PARKS, RECREATION AND CULTURE	188,328	-	-	188,328
OTHER	-	-	-	-
CAPITAL OUTLAY	-	4,697,368	-	4,697,368
DEBT SERVICE	-	-	290,000	290,000
INTEREST AND FISCAL CHARGES	-	160,151	319,818	479,969
TOTAL EXPENDITURES	7,674,798	4,857,519	704,546	13,236,863
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1,530,222	(3,570,970)	(669,810)	(2,710,558)
OTHER FINANCING SOURCES (USES)				
TRANSFERS IN	-	-	607,818	607,818
TRANSFERS OUT	(607,818)	-	-	(607,818)
TOTAL OTHER FINANCING SOURCES (USES)	(607,818)	-	607,818	-
NET CHANGE IN FUND BALANCE	922,404	(3,570,970)	(61,992)	(2,710,558)
FUND BALANCE AT BEGINNING OF YEAR	1,485,360	7,061,554	767,882	9,314,796
FUND BALANCE AT END OF YEAR	\$ 2,407,764	\$ 3,490,584	\$ 705,890	\$ 6,604,238

CITY OF HOLLADAY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2006

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ (2,710,558)
AMOUNTS REPORTED FOR GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES ARE DIFFERENT BECAUSE:	
GOVERNMENTAL FUNDS REPORT CAPITAL OUTLAYS AS EXPENDITURES WHILE GOVERNMENTAL ACTIVITIES REPORT DEPRECIATION EXPENSE TO ALLOCATE THOSE EXPENDITURES OVER THE LIFE OF THE ASSETS:	
CAPITAL ASSET PURCHASES CAPITALIZED	4,559,833
DEPRECIATION EXPENSE	(230,097)
SOME PROPERTY TAX REVENUES AND SPECIAL ASSESSMENT REVENUES ARE NOT CONSIDERED "AVAILABLE" IN THE GOVERNMENTAL FUNDS	(75,099)
SOME EXPENSES REPORTED IN THE STATEMENT OF ACTIVITIES, SUCH AS COMPENSATED ABSENCES, AND INTEREST, DO NOT REQUIRE THE USE OF CURRENT FINANCIAL RESOURCES AND THEREFORE ARE NOT REPORTED AS EXPENDITURES IN THE GOVERNMENTAL FUNDS	307,612
GOVERNMENTAL FUNDS REPORT BOND ISSUE COSTS AS EXPENDITURES, WHILE GOVERNMENTAL ACTIVITIES AMORTIZE THOSE COSTS OVER THE LIFE OF THE BONDS	
AMORTIZATION EXPENSE	(8,124)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 1,845,567

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS

CITY OF HOLLADAY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006

GENERAL FUND				VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
BUDGETED AMOUNTS		ACTUAL		
ORIGINAL	FINAL			
REVENUES				
TAXES	\$ 6,367,857	\$ 6,367,857	\$ 6,849,326	\$ 481,469
LICENSES, FEES AND PERMITS	659,000	679,000	839,715	160,715
INTERGOVERNMENTAL	767,000	767,000	812,777	45,777
CHARGES FOR SERVICE	73,000	73,000	48,301	(24,699)
FINES AND FORFEITURES	435,000	435,000	434,167	(833)
MISCELLANEOUS	51,859	51,859	34,141	(17,718)
INTEREST ON INVESTMENTS	75,000	75,000	186,593	111,593
TOTAL REVENUES	8,428,716	8,448,716	9,205,020	756,304
EXPENDITURES				
GENERAL GOVERNMENT	1,576,684	1,576,684	1,481,979	94,705
PUBLIC SAFETY	4,208,144	4,235,595	4,155,923	79,672
COMMUNITY DEVELOPMENT	726,170	726,170	696,762	29,408
STREETS AND HIGHWAYS	968,500	1,168,500	1,151,806	16,694
PARKS, RECREATION AND CULTURE	241,400	241,400	188,328	53,072
TOTAL EXPENDITURES	7,720,898	7,948,349	7,674,798	273,551
EXCESS OF REVENUES OVER EXPENDITURES	707,818	500,367	1,530,222	1,029,855
OTHER FINANCING USES				
TRANSFERS OUT	(707,818)	(707,818)	(607,818)	100,000
TOTAL OTHER FINANCING USES	(707,818)	(707,818)	(607,818)	100,000
NET CHANGE IN FUND BALANCE	-	(207,451)	922,404	1,129,855
FUND BALANCE AT BEGINNING OF YEAR	1,485,360	1,485,360	1,485,360	-
FUND BALANCE AT END OF YEAR	\$ 1,485,360	\$ 1,277,909	\$ 2,407,764	\$ 1,129,855

SEE ACCOMPANYING NOTES TO THE BASIC FINANCIAL STATEMENTS.

CITY OF HOLLADAY

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City was incorporated under the laws of the State of Utah in November 1999 and operates under an elected Council-Manager form of government. The City's major operations include police and fire protection, parks, public works, community development and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type activities and enterprise funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

Reporting Entity

These financial statements present the City (primary government) and its component units, organizations that are included in the City's reporting entity because of the significance of their operational or financial relationships with the City. Blended component units, although legal separate entities are, in substance, part of the City's operations and data from these units are combined with data of the City.

The City's only blended component unit is the Holladay City Redevelopment Agency (RDA). The RDA serves all the citizens of the City and is governed by a board comprised of the City Council. In conformity with generally accepted accounting principles, the financial statements of the RDA have been included in the financial reporting entity as a special revenue fund. The RDA has a June 30 year end. Separate financial statements are not issued for the RDA.

The City did not have any other component units as of June 30, 2006.

Basic Financial Statements – Government-Wide Statements

The City's basic financial statements include both government-wide (reporting the City as a whole) and fund financial statements (reporting the City's major funds). Both the government-wide and fund financial statements categorize primary activities as either governmental or business-type. The City's police and fire protection, parks, streets, community development and general administrative services are classified as governmental activities. The City has no business-type activities as of June 30, 2006.

The government-wide Statement of Net Assets is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. The City first utilizes restricted resources to finance qualifying activities.

CITY OF HOLLADAY

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The government-wide Statement of Activities reports both the gross and net cost of each of the City's functions (public safety, community development, streets, etc.). The functions are also supported by general government revenues (property, sales and franchise taxes, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. Program revenues must be directly associated with the function or business-type activity. Operating grants include operating-specific and discretionary (either operating or capital) grants while the capital grants column reflects capital-specific grants.

The net costs (by function) are normally covered by general revenue (property, sales and franchise taxes, etc.).

The City does not allocate indirect expenses.

Certain eliminations have been made as prescribed by GASB Statement No. 34 in regards to interfund activities, payables and receivables. All internal balances in the Statement of Net Assets have been eliminated.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

Basic Financial Statements – Fund Financial Statements

The financial transactions of the City are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses, as appropriate.

The only fund types used by the City are governmental funds.

The focus of the governmental funds' measurement (in the fund financial statements) is upon determination of financial position (sources, uses and balances of financial resources) rather than upon net income.

The following is a description of the governmental funds of the City:

- **General fund** is the general operating fund of the City. It is used to account for all financial resources except those required to be accounting for in another fund.
- **Capital projects funds** are used to account for financial resources to be used for the acquisition or construction of major capital facilities.
- **Special revenue funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.
- **Debt service funds** are used to account for the accumulation of funds for the periodic payment of principal and interest on general long-term debt.

CITY OF HOLLADAY

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

The emphasis in fund financial statements is on the major funds. Nonmajor funds are summarized into a single column. GASB No. 34 sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds.

Basis of Accounting

Basis of accounting refers to the point at which revenues and expenditures, or expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made, regardless of the measurement focus applied.

Accrual

The government-wide financial statements are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred.

Modified Accrual

The governmental funds financial statements are presented on the modified accrual basis of accounting. Under this basis, revenues are recognized when susceptible to accrual; i.e., both measurable and available.

"Available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Cash and cash equivalents

The City has defined cash and cash equivalents to include cash on hand, demand deposits, cash with fiscal agents and short-term investments with original maturity of three months or less from the date of acquisition.

Restricted cash and cash equivalents

Certain restricted cash and cash equivalents are held for acquisition and construction of capital projects, for debt service, and for bonds payable to developers.

CITY OF HOLLADAY

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Capital assets

Capital assets purchased or acquired with an original cost of \$5,000 or more are reported at historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on these assets is computed using the straight-line method over their estimated useful lives as follows:

	Years
Buildings and Structures	40
Improvements	15
Infrastructure	30
Machinery, equipment, and vehicles	5-10
Office furniture and equipment	5-10

Revenues – Exchange and Non-exchange Transactions

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is reported on the accrual basis when the exchange takes place. On a modified accrual basis, revenue is reported in the year in which the resources are measurable and become available.

Nonexchange transactions, in which the City receives value without directly giving equal value in return, include property taxes, grants and donations. On an accrual basis, revenue from property taxes is recognized in the year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, matching requirements and expenditure requirements. On a modified accrual basis, revenue from a nonexchange transaction must also be available before it can be recognized.

Under the modified accrual basis, the following revenue sources are considered to be both measurable and available at year end: intergovernmental revenue, sales and franchise taxes, charges for services, interest, and other fees.

Property taxes are measurable and susceptible to accrual when they attach as an enforceable lien on the property. They become available when they are due. Amounts that are measurable but not available are recorded as deferred revenue. Property taxes become an enforceable lien on January 1 but are not due until November 30.

CITY OF HOLLADAY

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Compensated Absences

Accumulated unpaid leave is accrued as incurred based on the years of service for each employee. Time off with pay is accumulated on a monthly basis and is fully vested when earned. Accumulated time off with pay cannot exceed 240 hours at the end of any fiscal year and any time off with pay in excess of this amount is forfeited. At retirement, death, or termination, all unpaid accrued time off with pay is paid to the beneficiary. Governmental funds report an expenditure as the vacation is paid or at termination. The current portion is determined by the City to be the portion of vacation pay due employees who terminated prior to year-end.

The noncurrent portion of these amounts (the amount estimated to be used in subsequent fiscal years) for governmental funds is maintained separately and represents a reconciling item between the fund and government-wide presentations.

Interfund Activity

Interfund activity is reported as either loans, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and, in the government-wide statement of activities, reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers.

Fund Equity Reserves

Fund balance – in the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific purpose.

Restricted net assets – in the government wide financial statements, restricted net assets are legally restricted by outside parties for a specific purpose.

Estimates and assumptions

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues, expenditures and expenses during the reporting period. Actual results could differ from those estimates.

Bond issue costs

Bond issuance costs are capitalized and amortized over the terms of the respective bonds using a method which approximates the effective interest method.

CITY OF HOLLADAY

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Deferred revenue

Deferred revenue arises when assets are recognized before revenue recognition criteria have been satisfied.

Budgets and budgetary control

Annual budgets are prepared and adopted, in accordance with state law, by the Mayor and City Council on or before June 22 for the following fiscal year, beginning July 1. Estimated revenues and appropriations may be increased or decreased by resolution of the City Council at any time during the year. A public hearing must be held prior to any proposed increase in a fund's appropriations. Budgets include activities in the General Fund and the Capital Projects Fund. The level of the City's budgetary control (that is, the level at which the City's expenditures cannot legally exceed the appropriated amounts) is established by activity and purpose within an individual fund. Each department head is responsible to the Mayor and City Council for spending within the budget for their department. All annual budgets lapse at fiscal year end.

Utah State law prohibits the appropriation of unrestricted General Fund balance until it exceeds 5% of the General Fund revenues. Until unreserved fund balance is greater than the above amount, it cannot be budgeted, but is used to provide working capital until tax revenue is received, to meet emergency expenditures, and to cover unanticipated deficits. When unreserved fund balance is greater than 18% of the next year's budgeted revenues, the excess must be appropriated within the following two years.

Once adopted, the budget can be amended by subsequent City Council action. The City Council can amend the budget to any extent, provided the budgeted expenditures do not exceed budgeted revenues and appropriated fund balance. A public hearing must be held to increase total appropriations of any governmental fund. With the consent of the City Manager, department heads may reallocate unexpended appropriated balances from one expenditure account to another within that department during the budget year.

Budgetary information included in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual for the General Fund and the Capital Projects Fund are prepared on the modified accrual basis of accounting. Encumbrance accounting is not used by the City.

CITY OF HOLLADAY

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE B – DEPOSITS AND INVESTMENTS

The City's deposits and investments are governed by the Utah Money Management Act (*Utah Code*, Title 51, Chapter 7) and rules of the State of Utah Money Management Council.

Custodial Credit Risk – Deposits

The custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be recovered. The Money Management Act requires deposits be in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of federal government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

The deposits in the bank in excess of the insured amount are uninsured and uncollateralized. Deposits are not collateralized nor are they required to be by state statute. The deposits for the City at June 30, 2006 were \$296,999, \$223,999 of which was exposed to custodial credit risk as uninsured and uncollateralized.

Investments

The Money Management Act defines the types of securities authorized as appropriate investments and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of investment securities.

The Act authorizes investments in both negotiable and nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investors Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; obligations, other than mortgage derivative products, issued by U.S. government sponsored enterprises (U.S. Agencies) such as the Federal Home Loan Bank System, Federal Home Loan Mortgage Corporation (Freddie Mac), Federal National Mortgage Association (Fannie Mae), and Student Loan Marketing

Association (Sallie Mae); bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rate "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; and shares or certificates in a money market mutual fund as defined in the Act.

The City's investments at June 30, 2006 are presented below:

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1-5	6-10	More Than 10
Debt Securities					
Utah Public Treasurer's Investment Fund	\$6,096,715	\$6,096,715	\$ -	\$ -	\$ -

CITY OF HOLLADAY

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED

Interest Rate Risk – Investments

Interest rate risk is the risk that changes in interest rates of debt investments will adversely affect the fair value of an investment.

The City's policy for managing interest rate risk is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding two years.

Credit Risk of Debt Securities

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City follows the Money Management Act as previously discussed as its policy for reducing exposure to investment credit risk. The City's rated debt investments are presented below:

<u>Rated Debt Investments</u>	<u>Fair Value</u>	<u>Quality Ratings</u>			
		<u>AAA</u>	<u>AA</u>	<u>A</u>	<u>Unrated</u>
<u>Debt Securities</u>					
Utah Public Treasurer's Investment Fund	\$6,096,715	\$ -	\$ -	\$ -	\$6,096,715

Custodial Credit Risk – Investments

Custodial credit risk for investments is the risk that, in the event of a failure of the counter party, the City will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party. The City does not have a formal policy for custodial credit risk.

All of the City's investments at June 30, 2006 were with the Utah Public Treasurer's Investment Fund and therefore are not categorized as to custodial credit risk. Additional information regarding the Utah Public Treasurer's Investment Fund is available at Note C.

Concentration of Credit Risk – Investments

Concentration of credit risk is the risk of a loss attributed to the magnitude of a government's investment in a single issuer.

The City's policy for reducing this risk of loss is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to between 5 and 10 percent depending upon the total dollar amount held in the portfolio. The Money Management Council limitations do not apply to securities issued by the U.S. government and its agencies.

CITY OF HOLLADAY

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE B – DEPOSITS AND INVESTMENTS – CONTINUED

All of the City's investments at June 30, 2006 were with the Utah Public Treasurer's Investment Fund and therefore are not categorized as to concentration of credit risk. Additional information regarding the Utah Public Treasurer's Investment Fund is available at Note C.

NOTE C – EXTERNAL INVESTMENT POOL

The City invests in the Public Treasurer's Investment Fund (PTIF) which is an external investment pool administered by Utah State Public Treasurer. State agencies, municipalities, counties, and local governments within the State of Utah are allowed to invest in the PTIF. There is no required participation and no minimum balance or minimum/maximum transaction requirements.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Chapter 51-7, Utah Code Annotated, 1953, as amended. The Act establishes the Money Management Council which oversees the activities of the State Treasurer and the PTIF. The Act details the investments that are authorized which are high-grade securities and, therefore, there is very little credit risk except in the most unusual and unforeseen circumstances. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah and participants share proportionally in any realized gains or losses on investments.

The PTIF allocates income and issues statements on a monthly basis. The PTIF operates and reports to participants on an amortized cost basis. The participants' balance is their investment deposited in the PTIF plus their share of income, gains and losses, net of administration fees, which are allocated to each participant on the ratio of each participant's share to the total funds in the PTIF.

Twice a year, at June 30 and December 31, the investments are valued at fair value to enable participants to adjust their investments in this pool at fair value. The Bank of New York and the State of Utah separately determine each security's fair value in accordance with GASB 31 (i.e. for almost all pool investments the quoted market price as of June 30, 2006) and then compare those values to come up with an agreed upon fair value of the securities.

As of June 30, 2006, the City had \$6,096,715 invested in the PTIF which had a fair value of \$6,094,764 for a loss of \$1,951. Due to the insignificance of this amount in relation to the funds affected by the unrealized loss, the fair value of investments in this external investment pool is deemed to be the amortized cost of the investment. The table below shows statistical information about the investment pool:

<u>Investment Type</u>	<u>Investment Percentage</u>
Corporate bonds and notes	63.05%
Commercial paper	2.41%
Money Markets and Certificates of deposit	4.82%
U.S. Government securities	29.72%
	<u>100.00%</u>

CITY OF HOLLADAY

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE D – RESTRICTED CASH AND CASH EQUIVALENTS

Cash and cash equivalents have been restricted for the following purposes and amounts as required by the provisions of the City's various bond resolutions and other restrictions:

Excise tax bonds	
Debt service reserve	\$ 632,098
Current debt service	241,706
Project account	1,026,186
Impact fee reserve	339,482
Deposits	147,051
	<u>\$ 2,386,523</u>

NOTE E – INTERGOVERNMENTAL RECEIVABLES

Intergovernmental receivables consists of the following at June 30, 2006:

Unrestricted – expended prior to June 30, 2006

Class C Road revenues due from the State of Utah for the quarter
ended June 30, 2006

\$182,208

Restricted

Flood control revenues due from Salt Lake County. In lieu of paying the City the amount, the County will perform work on flood control projects for the City. As such, the City has recorded this amount as deferred revenue until the time the work is performed by the County.

\$145,000

CITY OF HOLLADAY

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE F – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2006 is as follows:

	July 1, 2005	Increases	Decreases	June 30, 2006
Governmental Activities:				
Nondepreciable capital assets:				
Land	\$5,535,000	\$ 72,650	\$ -	\$5,607,650
Construction in progress	-	3,116,273	-	3,116,273
Total nondepreciable capital assets	<u>\$5,535,000</u>	<u>\$3,188,923</u>	<u>\$ -</u>	<u>\$8,723,923</u>
Depreciable capital assets:				
Buildings and structures	\$4,200,000	\$ 880,217	\$ -	\$5,080,217
Improvements, including infrastructure	1,552,690	383,755	-	1,936,445
Machinery, equipment and vehicles	294,882	106,938	-	401,820
Office furniture and equipment	362,617	-	-	362,617
Total depreciable capital assets at historical cost	<u>6,410,189</u>	<u>1,370,910</u>	<u>-</u>	<u>7,781,099</u>
Less accumulated depreciation:				
Buildings and structures	56,959	106,411	-	163,370
Improvements, including infrastructure	136,510	63,525	-	200,035
Machinery, equipment and vehicles	32,449	17,379	-	49,828
Office furniture and equipment	281,040	42,782	-	323,822
Total accumulated depreciation	<u>506,958</u>	<u>230,097</u>	<u>-</u>	<u>737,055</u>
Depreciable capital assets, net of accumulated depreciation	<u>\$5,903,231</u>	<u>\$1,140,813</u>	<u>\$ -</u>	<u>\$7,044,044</u>

Depreciation was charged to functions as follows:

Governmental activities:	
General government	\$144,447
Public safety	8,061
Community development	3,327
Streets and highways, including infrastructure	51,510
Parks, recreation and culture	22,752
	<u>\$230,097</u>

CITY OF HOLLADAY

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE G – LONG-TERM DEBT

Long-term debt consists of the following as of June 30, 2006:

Governmental activities

2004 Excise Tax Revenue Bonds	
\$8,400,000 excise tax term bonds due serially through December 1, 2009 with interest at 3.85%	\$ 8,110,000
Contracts payable	
\$3,100,000 contract payable on or before October 1, 2011 with interest payable annually at 5%, secured by real property	3,100,000
Compensated absences	43,270
Total Governmental activities long-term debt	<u>\$11,253,270</u>

The following is a summary of the changes in governmental activities long-term debt for the year ended June 30, 2006:

	Balance July 1, 2005	Additions	Deletions	Balance June 30, 2006	Amounts due in 2007
Excise Tax Bonds	\$ 8,400,000	\$ -	\$290,000	\$ 8,110,000	\$ 295,000
Contracts payable	3,100,000	-	-	3,100,000	-
Compensated absences	59,486	44,613	60,829	43,270	32,452
	<u>\$11,559,486</u>	<u>\$44,613</u>	<u>\$350,829</u>	<u>\$11,253,270</u>	<u>\$327,452</u>

As of June 30, 2006, annual debt service requirements to maturity of governmental activities are as follows:

Year ending June 30,	Excise Tax Revenue Bonds		Contracts Payable	
	Principal	Interest	Principal	Interest
2007	\$ 295,000	\$ 306,557	\$ -	\$ 161,700
2008	310,000	294,909	-	161,700
2009	320,000	282,782	-	161,700
2010	335,000	270,173	-	161,700
2011	345,000	257,083	-	161,700
2012-2016	1,940,000	1,071,067	3,100,000	161,700
2017-2021	2,345,000	659,791	-	-
2022-2025	2,220,000	174,789	-	-
	<u>\$8,110,000</u>	<u>\$3,317,151</u>	<u>\$3,100,000</u>	<u>\$970,200</u>

CITY OF HOLLADAY

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE H - RETIREMENT PLANS

Plan Description - The City contributes to the Local Governmental Noncontributory Retirement System, a cost-sharing multiple-employer defined benefit pension plan administered by the Utah Retirement Systems (Systems). The Systems provide refunds, retirement benefits, annual cost of living adjustments and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The Systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Systems issue a publicly available financial report that includes financial statements and required supplementary information for the Local Government Noncontributory Retirement System. A copy of the report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, Utah 84102 or by calling 1-800-365-8772.

Funding Policy - In the Local Governmental Noncontributory Retirement System the City is required to contribute 11.09 of plan members' annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Systems are authorized by statute and specified by the Board.

The City contributions to the Local Governmental Noncontributory Retirement System for the years ended June 30, 2006, 2005 and 2004 were \$67,646, \$64,628, and \$48,036, respectively. The contributions were equal to the required contributions for the period.

NOTE I - DEFERRED COMPENSATION PLANS

The City sponsors a defined contribution deferred compensation plan administered by the Utah Retirement Systems under the Internal Revenue Code Section 401(k) for City employees covered by the State's noncontributory retirement plans. The plan, available to all permanent full-time City employees, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. The 401(k) deferred compensation monies are not available to the City or its general creditors. The City's contributions for each employee (and interest allocated to the employee's account) are fully vested in the employee's account from the date of employment. The City's total payroll for the year ended June 30, 2006, was \$740,504. Of that amount, \$609,968 was eligible to participate in the plan. The City participates at rates between 0% and 3.26% depending on the employees' contributions. The rate of City participation can be changed by the City Council. During the year ended June 30, 2006, contributions totaling \$24,538 were made to the plan by employees and \$29,291 by the City.

CITY OF HOLLADAY

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE J – COMMITMENTS

The City has entered into contracts with Salt Lake County for various services including police protection and public works. The contracts of approximately \$3,889,000 for these services expire June 30, 2007.

The City has also entered into a cooperative agreement with several other cities and Salt Lake County to create a governmental entity known as the United Fire Authority (the Authority) to provide for fire and paramedic services for the member cities and the County. The City's estimated share of the operating costs of the Authority for operations from July 1, 2006 through June 30, 2007, is approximately \$1,693,000.

The City has also entered into a contract with the City of South Salt Lake for animal control services. The contract calls for annual payments of approximately \$90,000 and expires June 30, 2007.

The City had approximately \$880,000 of outstanding construction commitments at June 30, 2006.

NOTE K – RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City carries commercial insurance for all of these risks of loss except natural disasters. There were no decreases in coverage during 2004. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years.

Expenses and claims not covered by insurance are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered. Claims information for the past two years is as follows:

	<u>2006</u>	<u>2005</u>
Claims liability, July 1	\$ -	\$ -
Claims incurred during the year and changes in estimates	-	-
Payments on claims during the year		
Payments made by insurance	-	-
Coinsurance and deductible insurance payments made by the City	-	-
Claims liability, June 30,	<u>\$ -</u>	<u>\$ -</u>

CITY OF HOLLADAY

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE L - INTERFUND RECEIVABLES AND PAYABLES

Individual fund receivables and payables at June 30, 2006, are as follows:

<u>Due To Other Funds</u>	<u>Due From Other Funds</u>	<u>Amount</u>
Nonmajor governmental fund Redevelopment Agency	General Fund	<u>\$173,186</u>

The interfund receivable/payable is related to operating funds temporarily loaned from the general fund to the Redevelopment Agency.

NOTE M - INTERFUND TRANSFERS

A summary of interfund transfers by fund is as follows:

	<u>In</u>	<u>Out</u>
Major Funds:		
General Fund	\$ -	\$607,818
Nonmajor governmental funds	<u>607,818</u>	<u>-</u>
	<u>\$607,818</u>	<u>\$607,818</u>

NOTE N - DEFICIT NET ASSETS

The Redevelopment Agency (a nonmajor governmental fund) experienced an operational deficit situation during the year ended June 30, 2006, showing a deficit fund balance of \$167,914 at June 30, 2006. Management expects tax increment funds to be collected in 2007 which would eliminate the deficit and repay the interfund payable.

NOTE O - REDEVELOPMENT AGENCY OF THE CITY OF HOLLADAY

The City of Holladay Redevelopment Agency was created in 2006 to increase and develop the commercial growth in a central area of the City, known as the Village Center Project Area and in a second area known as the Olympus Economic Development Project Area. Redevelopment activity did not begin until after June 30, 2006, with the first tax increment anticipated in 2007.

CITY OF HOLLADAY

JUNE 30, 2006

NOTES TO BASIC FINANCIAL STATEMENTS

NOTE O - REDEVELOPMENT AGENCY OF THE CITY OF HOLLADAY – CONTINUED

For the year ended June 30, 2006, the following activity occurred in the City's Redevelopment Agency:

Tax increment collected from other taxing agencies for the project areas	\$ -
Outstanding loans to finance RDA projects	\$173,186
Amounts expended for the acquisition of property	\$ -
Tax increments paid to other taxing agencies	-
Amounts expended for site improvements and preparation costs	49,028
Amounts expended for administrative costs	45,700
	\$ 94,728
Amounts expended for installation of public utilities and other public improvements	\$ -

COMBINING FINANCIAL STATEMENTS

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

City of Holladay Redevelopment Agency – This fund is used to account for the economic development of certain project areas in the City, including the collection of tax increment funds.

Debt Service Funds

Debt service funds are used to account for long-term principal and interest obligations of the General and Special Revenue Funds.

Debt Service Fund – This fund is used to account for the accumulation of funds restricted for debt service and for the payment of that debt service.

CITY OF HOLLADAY
 COMBINING BALANCE SHEET
 NONMAJOR GOVERNMENTAL FUNDS
 JUNE 30, 2006

	REDEVELOPMENT AGENCY	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
CASH AND CASH EQUIVALENTS	\$ 5,272	\$ -	\$ 5,272
RESTRICTED CASH AND CASH EQUIVALENTS	-	873,804	873,804
TOTAL ASSETS	<u>\$ 5,272</u>	<u>\$ 873,804</u>	<u>\$ 879,076</u>
LIABILITIES AND FUND BALANCE			
LIABILITIES			
DUE TO OTHER FUNDS	\$ 173,186	\$ -	173,186
ACCOUNTS PAYABLE	-	-	-
TOTAL LIABILITIES	<u>173,186</u>	<u>-</u>	<u>173,186</u>
FUND BALANCE (DEFICIT)			
RESERVED FOR DEBT SERVICE	-	873,804	873,804
UNRESERVED	(167,914)	-	(167,914)
TOTAL FUND BALANCE (DEFICIT)	<u>(167,914)</u>	<u>873,804</u>	<u>705,890</u>
TOTAL LIABILITIES AND FUND BALANCE (DEFICIT)	<u>\$ 5,272</u>	<u>\$ 873,804</u>	<u>\$ 879,076</u>

HOLLADAY CITY
COMBINING STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN
FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2006

	REDEVELOPMENT AGENCY	DEBT SERVICE	TOTAL NONMAJOR GOVERNMENTAL FUNDS
REVENUES			
TAXES	\$ -	\$ -	\$ -
MISCELLANEOUS REVENUE	-	-	-
OTHER	-	-	-
INTEREST ON INVESTMENTS	-	34,736	34,736
TOTAL REVENUES	<u>-</u>	<u>34,736</u>	<u>34,736</u>
EXPENDITURES			
CURRENT			
COMMUNITY DEVELOPMENT	94,728	-	94,728
DEBT SERVICE			
PRINCIPAL	-	290,000	290,000
INTEREST AND FISCAL CHARGES	-	319,818	319,818
	-	609,818	609,818
TOTAL EXPENDITURES	<u>94,728</u>	<u>609,818</u>	<u>704,546</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>(94,728)</u>	<u>(575,082)</u>	<u>(669,810)</u>
OTHER FINANCING SOURCES (USES)			
TRANSFERS IN	-	607,818	607,818
TRANSFERS OUT	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>607,818</u>	<u>607,818</u>
NET CHANGE IN FUND BALANCE	<u>(94,728)</u>	<u>32,736</u>	<u>(61,992)</u>
FUND BALANCE (DEFICIT) AT BEGINNING OF YEAR	<u>(73,186)</u>	<u>841,068</u>	<u>767,882</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ (167,914)</u>	<u>\$ 873,804</u>	<u>\$ 705,890</u>

SUPPLEMENTARY INDIVIDUAL FUND SCHEDULES

General Fund and Capital Projects Fund

These supplementary schedules are included to provide management with additional information for financial analysis.

CITY OF HOLLADAY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2005)

FOR THE YEAR ENDED JUNE 30, 2006

	2006				2005
	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	
	ORIGINAL	FINAL	ACTUAL		ACTUAL
REVENUES					
TAXES					
PROPERTY TAXES	\$ 3,971,310	\$ 3,971,310	\$ 3,771,678	\$ (199,632)	\$ 3,292,227
FEES IN LIEU OF TAXES	210,000	210,000	282,472	72,472	256,373
GENERAL SALES TAX	1,974,047	1,974,047	2,574,304	600,257	1,763,662
TRANSIENT ROOM TAX	25,000	25,000	37,857	12,857	33,287
FRANCHISE TAX	187,500	187,500	183,015	(4,485)	538,862
TOTALS	6,367,857	6,367,857	6,849,326	481,469	5,884,411
LICENSES, FEES AND PERMITS					
BUSINESS AND ANIMAL LICENSES	209,000	209,000	195,756	(13,244)	179,236
BUILDING PERMITS	450,000	470,000	643,959	173,959	499,749
TOTALS	659,000	679,000	839,715	160,715	678,985
INTERGOVERNMENTAL REVENUE					
CLASS "C" ROAD FUNDS	700,000	700,000	786,757	86,757	659,116
OTHER GRANTS	67,000	67,000	26,020	(40,980)	45,086
TOTALS	767,000	767,000	812,777	45,777	704,202
CHARGES FOR SERVICE					
LAND USE FEES	60,000	60,000	45,278	(14,722)	69,527
OTHER SERVICE REVENUE	13,000	13,000	3,023	(9,977)	25,362
TOTALS	73,000	73,000	48,301	(24,699)	94,889
FINES AND FORFEITURES					
COURTS FINES AND FORFEITURES	435,000	435,000	434,167	(833)	429,295
MISCELLANEOUS REVENUE					
MISCELLANEOUS	51,859	51,859	34,141	(17,718)	97,037
INTEREST ON INVESTMENTS	75,000	75,000	186,593	111,593	93,830
TOTALS	126,859	126,859	220,734	93,875	190,867
TOTAL REVENUES	8,428,716	8,448,716	9,205,020	756,304	7,982,649

CONTINUED

CITY OF HOLLADAY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2005)

		2006		VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2005
		BUDGETED AMOUNTS	ACTUAL		ACTUAL
		ORIGINAL	FINAL		
EXPENDITURES					
GENERAL GOVERNMENT					
COURT					
PERSONNEL		211,950	211,950	(21,445)	202,747
OPERATIONS AND MAINTENANCE		162,250	162,250	14,005	140,009
CAPITAL		-	-	-	-
TOTAL		374,200	374,200	(7,440)	342,756
ADMINISTRATIVE					
PERSONNEL		356,450	356,450	14,500	331,338
OPERATIONS AND MAINTENANCE		418,100	415,700	62,293	490,592
CAPITAL		-	-	-	7,191
TOTAL		774,550	772,150	76,793	829,121
TREASURY					
PERSONNEL		-	-	-	-
OPERATIONS AND MAINTENANCE		7,250	7,250	38	6,019
CAPITAL		-	-	-	-
TOTAL		7,250	7,250	38	6,019
MAYORAL					
PERSONNEL		47,534	47,534	632	69,608
OPERATIONS AND MAINTENANCE		-	2,400	600	1,925
CAPITAL		-	-	-	-
TOTAL		47,534	49,934	1,232	71,533
LEGISLATIVE					
PERSONNEL		70,463	70,463	(2,033)	76,480
OPERATIONS AND MAINTENANCE		152,187	152,187	15,198	116,557
CAPITAL		-	-	-	-
TOTAL		222,650	222,650	13,165	193,037
FACILITIES MAINTENANCE					
PERSONNEL		-	-	-	-
OPERATIONS AND MAINTENANCE		150,500	150,500	10,917	117,538
CAPITAL		-	-	-	-
TOTAL		150,500	150,500	10,917	117,538
TOTAL GENERAL GOVERNMENT		1,576,684	1,576,684	94,705	1,560,004
PUBLIC SAFETY					
POLICE					
PERSONNEL		-	-	-	-
OPERATIONS AND MAINTENANCE		2,623,769	2,643,769	79,673	2,291,151
CAPITAL		-	-	-	-
TOTAL		2,623,769	2,643,769	79,673	2,291,151
FIRE					
PERSONNEL		-	-	-	-
OPERATIONS AND MAINTENANCE		1,495,000	1,502,451	-	1,446,221
CAPITAL		-	-	-	-
TOTAL		1,495,000	1,502,451	-	1,446,221

CONTINUED

CITY OF HOLLADAY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2005)

	2006				2005
	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	
	ORIGINAL	FINAL	ACTUAL		ACTUAL
ANIMAL CONTROL					
PERSONNEL	-	-	-	-	-
OPERATIONS AND MAINTENANCE	89,375	89,375	89,376	(1)	71,499
CAPITAL	-	-	-	-	-
TOTAL	89,375	89,375	89,376	(1)	71,499
TOTAL PUBLIC SAFETY	4,208,144	4,235,595	4,155,923	79,672	3,808,871
COMMUNITY DEVELOPMENT					
PLANNING AND ZONING					
PERSONNEL	-	-	-	-	-
OPERATIONS AND MAINTENANCE	10,200	10,200	7,075	3,125	6,470
CAPITAL	-	-	-	-	-
TOTAL	10,200	10,200	7,075	3,125	6,470
INSPECTIONS					
PERSONNEL	-	-	-	-	-
OPERATIONS AND MAINTENANCE	300,000	300,000	300,000	-	295,868
CAPITAL	-	-	-	-	-
TOTAL	300,000	300,000	300,000	-	295,868
ECONOMIC DEVELOPMENT					
PERSONNEL	237,550	237,550	305,627	(68,077)	258,845
OPERATIONS AND MAINTENANCE	175,920	175,920	83,110	92,810	35,567
CAPITAL	2,500	2,500	950	1,550	2,500
TOTAL	415,970	415,970	389,687	26,283	296,912
TOTAL COMMUNITY DEVELOPMENT	726,170	726,170	696,762	29,408	599,250
STREETS AND HIGHWAYS					
STREETS AND PUBLIC IMPROVEMENTS					
PERSONNEL	-	-	-	-	-
OPERATIONS AND MAINTENANCE	968,500	1,168,500	1,151,806	16,694	942,668
CAPITAL	-	-	-	-	-
TOTAL STREETS AND HIGHWAYS	968,500	1,168,500	1,151,806	16,694	942,668
PARKS, RECREATION AND CULTURE					
PARKS					
PERSONNEL	-	-	-	-	-
OPERATION AND MAINTENANCE	104,400	104,400	100,505	3,895	41,183
CAPITAL	-	-	-	-	-
TOTAL	104,400	104,400	100,505	3,895	41,183
COMMUNITY ARTS AND EVENTS					
PERSONNEL	-	-	-	-	-
OPERATIONS AND MAINTENANCE	137,000	137,000	87,823	49,177	120,865
CAPITAL	-	-	-	-	-
TOTAL	137,000	137,000	87,823	49,177	120,865
TOTAL PARKS, RECREATION AND CULTURE	241,400	241,400	188,328	53,072	162,048
TOTAL EXPENDITURES	7,720,898	7,948,349	7,674,798	273,551	7,072,841
EXCESS OF REVENUES OVER EXPENDITURES	707,818	500,367	1,530,222	1,029,855	909,808

CONTINUED

CITY OF HOLLADAY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2005)

	2006			2005
	BUDGETED AMOUNTS		VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	
	ORIGINAL	FINAL	ACTUAL	ACTUAL
OTHER FINANCING USES				
TRANSFERS OUT	(707,818)	(707,818)	(607,818)	(1,700,000)
TOTAL OTHER FINANCING USES	(707,818)	(707,818)	(607,818)	(1,700,000)
NET CHANGE IN FUND BALANCE	-	(207,451)	922,404	(790,192)
FUND BALANCE AT BEGINNING OF YEAR	1,485,360	1,485,360	1,485,360	2,275,552
FUND BALANCE AT END OF YEAR	\$ 1,485,360	\$ 1,277,909	\$ 2,407,764	\$ 1,485,360

CITY OF HOLLADAY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
CAPITAL PROJECTS FUND
FOR THE YEAR ENDED JUNE 30, 2006
(WITH COMPARATIVE ACTUAL AMOUNTS
FOR THE YEAR ENDED JUNE 30, 2005)

	2006			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)	2005
	BUDGETED AMOUNTS		ACTUAL		ACTUAL
	ORIGINAL	FINAL			
REVENUES					
TAXES					
SALES TAX	\$ 655,953	\$ 655,953	\$ 631,846	\$ (24,107)	\$ 739,000
FRANCHISE TAX	350,000	350,000	379,235	29,235	-
LICENSES, FEES AND PERMITS					
IMPACT FEES	80,000	80,000	159,814	79,814	32,184
INTERGOVERNMENTAL					
OTHER GRANTS	501,650	501,650	2,278	(499,372)	44,041
MISCELLANEOUS REVENUE					
SALE OF CAPITAL ASSETS	1,600,000	1,600,000	-	(1,600,000)	-
INTEREST ON INVESTMENTS	30,000	30,000	113,376	83,376	72,960
TOTAL REVENUES	3,217,603	3,217,603	1,286,549	(1,931,054)	888,185
EXPENDITURES					
CURRENT					
OTHER	-	-	-	-	162,482
DEBT SERVICE					
INTEREST AND FISCAL CHARGES	160,151	160,151	160,151	-	-
CAPITAL OUTLAY					
PARK IMPROVEMENTS	520,000	520,000	133,971	386,029	31,124
STORM DRAIN IMPROVEMENTS	740,000	740,000	96,974	643,026	184,586
STREETS IMPROVEMENTS	445,000	445,000	267,782	177,218	381,535
LAND AND BUILDING ACQUISITION	4,329,680	5,849,680	4,127,357	1,722,323	7,767,806
OTHER	372,650	372,650	71,284	301,366	90,938
TOTAL CAPITAL OUTLAY	6,407,330	7,927,330	4,697,368	3,229,962	8,455,989
TOTAL EXPENDITURES	6,567,481	8,087,481	4,857,519	3,229,962	8,618,471
EXCESS OF REVENUES OVER EXPENDITURES	(3,349,878)	(4,869,878)	(3,570,970)	1,298,908	(7,730,286)
OTHER FINANCING SOURCES (USES)					
BONDS AND CONTRACT PROCEEDS	-	-	-	-	11,500,000
TRANSFERS IN	-	-	-	-	1,700,000
TRANSFERS OUT	-	-	-	-	(836,956)
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	12,363,044
NET CHANGE IN FUND BALANCE	(3,349,878)	(4,869,878)	(3,570,970)	1,298,908	4,632,758
FUND BALANCE AT BEGINNING OF YEAR	7,061,554	7,061,554	7,061,554	-	2,428,796
FUND BALANCE AT END OF YEAR	\$ 3,711,676	\$ 2,191,676	\$ 3,490,584	\$ 1,298,908	\$ 7,061,554

OTHER SUPPLEMENTARY INFORMATION

**CITY OF HOLLADAY
IMPACT FEE SUMMARY
INCEPTION TO JUNE 30, 2006**

	Year	Storm Drain	Parks	Public Safety	Total
Collections:					
	2000 (1)	\$ 612,886	\$ 176,400	\$ -	\$ 789,286
	2001	6,414	11,500	-	17,914
	2002	16,252	1,350	-	17,602
	2003	11,807	-	-	11,807
	2004	26,415	-	-	26,415
	2005	32,184	-	-	32,184
	2006	45,652	73,051	41,111	159,814
Interest income allocated through June 30, 2006					
		90,983	19,658	-	110,641
Expenditures					
City Plaza	2001, 2002	-	(181,575)	-	(181,575)
Cell Phone Park	2002	-	(10,618)	-	(10,618)
Wayman Pond	2003, 2006	(141,466)	-	-	(141,466)
Other Storm Drain Improvements	2003-2005	(361,645)	-	-	(361,645)
Purchase of open space	2005	-	(3,100,000)	-	(3,100,000)
Purchase of former Holladay Elementary	2005	-	(3,200,000)	(269,553)	(3,469,553)
Purchase of land for parks and recreation	2005	-	(114,000)	-	(114,000)
Parks improvements	2006	-	(13,500)	-	(13,500)
Renovation of former Holladay Elementary	2006	-	-	(840,000)	(840,000)
Purchase of building for public safety area	2006	-	-	(246,608)	(246,608)
Excess of impact fees received over expenditures/ (Expenditures in excess of impact fees received)					
		<u>\$ 339,482</u>	<u>\$(6,337,734)</u>	<u>\$(1,315,050)</u>	<u>\$ (7,313,302)</u>

All unexpended storm drain impact fees are budgeted to be used in fiscal 2007 as the Wayman Pond project is completed.

(1) Represents the period from inception (November 1999) to June 30, 2000. Impact fees shown for this period were collected by Salt Lake County and turned over to the City upon incorporation.

**REPORTS ON COMPLIANCE AND INTERNAL
CONTROL OVER FINANCIAL REPORTING**

OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

Honorable Mayor and Members of the City Council
City of Holladay

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Holladay (the City), as of and for the year ended June 30, 2006, which collectively comprise the City's basic financial statements and have issued our report thereon dated October 26, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that we reported to management of the City in a separate letter dated October 26, 2006.

This report is intended solely for the information and use of the City Council, management, and the Utah State Auditor's Office and is not intended to be and should not be used by anyone other than these specified parties.

Osborne Robbins & Buhler PLLC

October 26, 2006

OSBORNE, ROBBINS & BUHLER, P.L.L.C. Certified Public Accountants

4527 SOUTH 2300 EAST, SUITE 201 • SALT LAKE CITY, UTAH 84117-4446 • PHONE: 308-0220 • FAX: 274-8589

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS ON STATE LEGAL COMPLIANCE IN ACCORDANCE WITH STATE OF UTAH LEGAL COMPLIANCE AUDIT GUIDE

Honorable Mayor and Members of the City Council
City of Holladay

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the City of Holladay (the City), for the year ended June 30, 2006, and have issued our report thereon dated October 26, 2006. As part of our audit, we have audited the City's compliance with the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; special tests and provisions applicable to each of its major State assistance programs as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The City received the following major State assistance programs from the State of Utah:

B & C Road Funds	(Department of Transportation)
Liquor Law Enforcement	(State Tax Commission)

The City did not receive any nonmajor State grants during the year ended June 30, 2006.

Our audit also included testwork on the City's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide, including:

Public Debt	Other General Issues
Cash Management	Budgetary Compliance
Purchasing Requirements	Justice Courts Compliance
B & C Road Funds	Liquor Law Enforcement
Truth in Taxation & Property Tax	Uniform Building Code Standards
Limitations	Impact Fees
Asset Forfeiture	

The management of the City is responsible for the City's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, the City of Holladay complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or unallowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

Osborne Robbin & Bahler PLLC

October 26, 2006

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October 26, 2006

Honorable Mayor and Members of the City Council
City of Holladay, Utah

In planning and performing our audit of the financial statements of the City of Holladay (the City) for the year ended June 30, 2006, we noted certain matters for your consideration. This letter summarizes our comments and suggestions regarding those matters. This letter does not affect our report dated October 26, 2006, on the financial statements of the City. Also, reportable conditions and material internal control weaknesses, if any, are included in our report dated October 26, 2006, in accordance with *Government Auditing Standards*.

Osborne Robbins & Buhler PLLC

STATE OF UTAH LEGAL COMPLIANCE

Fund Balance

State law requires that a reduction in fund balance be budgeted when unrestricted general fund balance exceeds 18% of budgeted revenues. At June 30, 2006, the unrestricted general fund balance is approximately 24% of the 2006-2007 fiscal year budgeted revenues.

Recommendation

The City is required to budget the excess within the next budget year (fiscal year 2007-2008).

Management Response and Action Plan

Management will budget the required reduction in unrestricted fund balance in the general fund and anticipates reducing fund balance to the appropriate level by June of 2008.

Building Permit Surcharges

The City is required to collect a 1% surcharge on all building permits and shall remit 80% of the surcharge collected to the State Division of Occupational and Professional Licensing (DOPL). The City is required to remit this surcharge in connection with a quarterly report prepared using a form provided by the DOPL. This report is due within 30 days following the end of each calendar quarter. During the year ended June 30, 2006, the reports for the first three quarters of the year were all filed several months after the due dates. At the time of the audit, the report for the quarter ended June 30, 2006 had not been filed.

Recommendation

Procedures should be implemented to ensure that the report is filed in a timely manner.

Management Response and Action Plan

The Planning Department will complete these reports within the required time period.

OTHER COMMENTS AND OBSERVATIONS

Returned checks reconciliation and tracking

The City currently does not have a system in place to reconcile to the general ledger the disposition of checks received and deposited by the City that are later returned by the bank when they don't clear the customers' account (bounced checks). The majority of these bounced checks relate to checks originally received by the City's court. When checks are returned by the bank, the City's assistant treasurer gives the checks that relate to the court back to the court clerk for collection. The assistant treasurer is keeping a file on the checks and shows how each check is ultimately paid for, but there is not yet a system in place whereby the checks that remain uncollected are listed and reconciled to the general ledger.

Recommendation

The assistant treasurer should prepare a spreadsheet to maintain a log of the bounced checks and to show their status. The balance of outstanding bounced checks as shown on this spreadsheet should be reconciled periodically to the general ledger account used to track those items.

Management Response and Action Plan

The City agrees with the comment and will implement a system whereby the receipt, redeposit and ultimate collection of bounced checks can be tracked in a manner that provides for periodic reconciliation of the amounts outstanding to the general ledger and also provides a means for the City to ensure that all such amounts are being collected.

Reconciliation of construction bonds and trust funds payable

Currently, the City has not implemented a system to reconcile construction bonds payable and court trust funds to the amounts recorded in the general ledger as liabilities for these items. When the City receives such funds that are to be kept in trust, it deposits them into a separate bank account to track them and have them set aside from normal City operations, but there is not a list of what specific deposits, bonds, and trust funds are outstanding.

Recommendation

The Planning Department should prepare a spreadsheet to maintain a log of the construction bonds received by the City. Court personnel should prepare a similar spreadsheet to maintain a log of court trust funds. These logs should show the receipt, the status at any given time and the disposition of the funds as applicable. These logs should be reconciled to the general ledger accounts that are used to track the outstanding liabilities associated with these funds. These logs should be provided to the assistant treasurer at the end of each month for review.

Management Response and Action Plan

Court personnel will prepare the necessary information regarding court trust funds payable, ensure that the information is reconciled to the general ledger and provide the reconciliation to the City's assistant treasurer for review.

The Planning Department will also prepare a listing of outstanding construction bonds payable, reconcile the outstanding amounts to the general ledger and provide the reconciliation to the assistant treasurer.

Credit Card Charges

The City uses a credit card for certain transactions such as reservations and other City business. This has been a good way to handle the particular expenditures for which it is used.

Recommendation

The approval of credit card charges should be documented by someone within the administration that has oversight for the person who is initiating the charges. For example, if the City Manager is using the credit card, the treasurer or the mayor should review and approve the charges. Additionally, all charges should be supported by the corresponding receipts and reconciled to the statement on a timely basis – specifically prior to the time the credit card bill is paid.

Management Response and Action Plan

Approval will be documented for credit card use. Charges initiated by the City Manager will be approved by the City treasurer. Charges initiated by others within the organization will be approved by the City Manager. Detailed receipts will be reconciled to the credit card statement on a timely basis.